

Message Text

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43

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 SSO-00 NSCE-00 USIE-00

INRE-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

SAM-01 COME-00 TRSE-00 SAJ-01 CIEP-02 INT-08 FEA-02

SCI-06 FRB-02 OMB-01 DRC-01 IO-14 OIC-04 /152 W

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O R 041120Z FEB 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 0158

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L BONN 01799

STATE ALSO FOR T/IEP

DEPARTMENT PASS TREASURY IMMEDIATE

E.O. 11652: GDS

TAGS: EFIN, ENRG, GW

SUBJECT: ENERGY CONFERENCE, SOME COMMENTS BY FRG

FINANCE MINISTRY OFFICIAL

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1. SUMMARY: PIESKE, DIRECTOR OF OFFICE OF INTER-

NATIONAL MONETARY QUESTIONS, FRG FINANCE MINISTRY, EXPRESSED THE VIEW THAT INTERNATIONAL MONETARY PROBLEMS MUST BE EMPHASIZED AT THE ENERGY CONFERENCE. HE REQUESTS US VIEWS ON MONETARY QUESTIONS AND INFORMATION ON THE PROPOSED AGENDA FOR THE WORKING GROUP OF THE FINANCE MINISTERS. END SUMMARY

2. IN A DISCUSSION WITH THE ACTING TREASURY ATTACHE, PIESKE EXPRESSED CONCERN THAT THE CONFERENCE MIGHT NOT COME TO GRIPS WITH THE INTERNATIONAL MONETARY AND FINANCIAL ASPECTS OF THE OIL CRISIS. HE EXPOUNDED ON PRESENT FINANCE MINISTRY THINKING CONCERNING INTERNATIONAL MONETARY PROBLEMS INDUCED BY THE OIL CRISIS. HE EXPECTS THAT, IN THE APPROPRIATE CONFERENCE WORKING GROUP, THE FRG WILL EMPHASIZE THE NECESSITY TO REDUCE TO MANAGEABLE PROPORTIONS THE COMPLEX AND INTERRELATED PROBLEM OF OIL PURCHASES AND INTERNATIONAL FINANCE BY A CONCERTED EFFORT TO ROLL BACK CRUDE OIL PRICES.

3. WHILE PIESKE EXPECTS THAT SOVEREIGN STATES WILL CONTINUE TO PURSUE AUTONOMOUS BALANCE OF PAYMENTS POLICIES, HE HOPES THAT INTERNATIONAL AGREEMENT CAN BE REACHED WHICH WILL PREVENT COMPETITIVE DEVALUATIONS AND OTHER "BEGGARTHY NEIGHBOR" POLICIES. BEYOND THAT, HE THOUGHT, A MULTILATERAL APPROACH MUST BE WORKED OUT TO SOLVE THE PROBLEM OF ENORMOUS MONEY FLOWS ARISING FROM OIL PURCHASES. MULTILATERAL AGREEMENT ON MUTUALLY ACCEPTABLE METHODS FOR THE UTILIZATION OF PRODUCER COUNTRIES' OIL REVENUES, INCLUDING AGREEMENT ON LOCATION, FORM, AND CONDITIONS OF INVESTED REVENUES, MUST BE WORKED OUT. THE FRG FINANCE MINISTRY IS NOT ENTHUSIASTIC ABOUT AND SEES CERTAIN RISKS IN VARIOUS "RECYCLING" PROPOSALS THAT ARE BEING ADVANCED. PIESKE SEES LITTLE DANGER OF ARAB DIRECT OR PORTFOLIO INVESTMENTS REACHING PROPORTIONS WHICH MIGHT RAISE THE SPECTER OF ARAB DOMINATION OF INDUSTRIES IN THE OIL CONSUMING INDUSTRIALIZED COUNTRIES.

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4. THE POSSIBILITY OF PAYMENT FOR OIL WITH GOLD AT THE PREVAILING MARKET PRICE, PIESKE SAID, SHOULD NOT BE EXCLUDED AS A POSSIBILITY. THIS, HE ADDED, WOULD BE PREFERABLE TO THE CREATION OF ADDITIONAL SDR'S. THE PROBLEM OF FINANCING OF OIL PURCHASES BY LDC'S MUST ALSO BE FACED.

5. PIESKE THOUGHT THAT THESE TOPICS WOULD BE APPRO-

PRIATE AGENDA ITEMS FOR THE FINANCE MINISTERS' WORKING GROUP. HOWEVER, HE FEELS THAT DEFINITIVE DECISIONS ON THESE POINTS SHOULD PROBABLY BE MADE BY THE C-20 OR IMF AND NOT BY A NEWLY FORMED TASK FORCE.

6. PIESKE WOULD APPRECIATE US VIEWS ON ABOVE TOPICS AND ON THE AGENDA FOR THE FINANCE MINISTERS' WORKING GROUP.

HILLENBRAND

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